

AGENDA: May 11, 2004

4.8

CATEGORY: Consent

DEPT.: Public Works

TITLE: Hetch-Hetchy Fee Increase

RECOMMENDATION

Authorize the Mayor to send a letter to the United States House of Representatives Budget Committee opposing the fee increase for San Francisco's use of the Hetch-Hetchy reservoir.

FISCAL IMPACT

There is no direct fiscal impact associated with this recommendation. However, if the Hetch-Hetchy fee increase is implemented, retail customers of the water system, including Mountain View customers, could pay approximately \$.40 per month in increased fees.

BACKGROUND AND ANALYSIS

Earlier this year, President Bush proposed increasing the fee for the San Francisco Public Utilities Commission (SFPUC) use of the land under the Hetch-Hetchy reservoir from \$30,000 to \$8.0 million per year. This amounts to \$1,164 per acre based on the 6,871-acre reservoir. In staff's view, the primary concern is not the fee increase; rather, the degree of increase does not conform to existing Federal policy or Federal practices for calculating fee increases.

The Raker Act, which became law in 1913, grants San Francisco the right to use the land for a fixed fee of \$30,000 per year. In addition to this fee, the SFPUC voluntarily paid an additional \$1.9 million to the National Parks Service in 2003 for services relating to facility security and watershed protection activities. For Fiscal Year 2004-05, the SFPUC has agreed to pay a total of \$2.8 million to the National Parks Service to cover cost increases related to these services. The SFPUC also provides approximately \$1.0 million per year of in-kind support to the National Parks Service by providing employee housing and utility services as well as road and trail maintenance. It is unclear if the proposed increase is instead of or in addition to these contributions.

Under Federal law, municipalities are typically exempt from usage fees when Federal land is used for hydroelectric power facilities. If the SFPUC was considered a private utility, the Federal Energy Regulatory Commission's (FERC) fee schedule would set the Hetch-Hetchy rate at \$33.30 per acre. The highest rate charged in California is \$80 per acre, far less than the \$1,164 per acre fee proposed by the Bush Administration. The Bush Administration's

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proposal does not include language to indicate if this fee increase supersedes the FERC's fee schedule or mandates a change in policy relating to the exemption of municipal utilities from such fees.

The Bay Area Water Supply and Conservation Agency (BAWSCA) is asking its members' governing boards to consider opposing this rate hike. This fee increase is opposed by BAWSCA, the City of San Francisco, Senator Dianne Feinstein and Congressperson Nancy Pelosi. A copy of a press release from Senator Feinstein, a letter from Congressperson Pelosi and a letter from the BAWSCA Board of Directors are included as Attachments 1, 2 and 3, respectively.

PUBLIC NOTICING – Agenda posting.

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PS/8/CAM
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Attachments: 1. Letter from the BAWSCA Board of Directors
2. Press Release from Senator Feinstein
3. Letter from Congressperson Pelosi

cc: Senator Feinstein

Congressperson Pelosi

BAWSCA